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But some say pulp prices are pure greed

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BODY:

Ask some consumers what they are paying for paper goods these days and you will get an an earful.

"Isn't it terrible?" said Shirley Taggart, a Midtown resident shopping in a D'Agostino supermarket. "That's why I keep buying these," Taggart said, pointing to a six-pack of Marcal toilet tissue that sells for almost \$ 2 less than her
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avorite, ScotTissue.

Taggart and other consumers have run into the great paper chase of 1995. Because demand is outstripping supply, paper prices have skyrocketed, making paper products more expensive. Many retailers are passing along the price hikes, while others are altering some of their practices. Supermarkets that once freely used paper bags, for example, are increasingly turning to plastic. Some mail-order catalogs have shrunk.

John Catsimatidis, who owns 65 Sloan's and Gristede's supermarkets in New York City, blasted the manufacturers' paper-price increases, which have raised his stores' price tags for paper goods 10 percent to 25 percent in the past six months.

"The increases are not justified," Catsimatidis said, "and some are being fabricated."

Even some brand-loyal customers have rethought their choices.

"You get what you pay for," said Debra Smith of Manhattan, who also chose Marcal toilet tissue in D'Agostino's. "But quality is only worth so much."

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The stories don't end with supermarkets. A broad range of small and large businesses are feeling the pinch.

The New York City Board of Education's costs for 8 1/2-by-11 copy paper has jumped to \$ 38.40 a 10-pack carton this year from \$ 31.80 last year, said Lou

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Benevento, acting director of the board's bureau of supplies.

Parents will most likely pay higher prices for school supplies as well.

Demand for paper is strong because economies in major countries are generally better than they were a few years ago. But paper mills - burned by overcapacity when the recession of the early 1990s hit - aren't rushing to increase their production.

The result is both shortages and rapidly rising prices. Prices for pulp, the raw material used to make paper products, have gone up 75 percent to 90 percent in the past year, said Joyce Routson of Pulp & Paper Week, a San Francisco-based trade newsletter.

Wholesale prices for the paper used to make grocery bags have jumped to \$ 590 a ton from \$ 380 a year ago, Pulp & Paper Week said.

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Newsprint has also jumped. Newsday pays \$ 675 per metric ton for newsprint, compared with \$ 411 last year, said James Fitzgerald, senior vice president for special projects.

The paper industry has had booms and busts before. What distinguishes this price run-up is that mills aren't likely to expand their capacity anytime soon.

During a boom in the late 1980s, mill owners opened new plants, only to have demand for paper slacken when the economy slowed.

What's more, it takes three to four years to build a paper mill, which can cost up to \$ 500 million, said analyst Cornelius Sewell of Argus Research, an investment firm in Manhattan. So even if paper companies were disposed to increase their capacity, their ability to do so quickly is limited.

In the meantime, the industry is recovering from the early '90s bust. A handful of U.S. companies that posted losses last year moved into the black this year, according to Pulp & Paper Week.

Though Newsday's Fitzgerald said that paper prices aren't out of line if you factor in inflation, the steepness and frequency of the producers' hikes have sent newspaper companies reeling.

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"Nobody would deny them a price increase," Fitzgerald, said. "They've got too piggy too quick."

But counters Barry Polsky, spokesman for the American Forest and Paper Association, "It's not a matter of greed," he said. "It's a matter of supply and demand."

Even the neighborhood pizzeria is feeling the pinch.

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"It's unheard of," said Paul Cola, manager of Famiglia Pizzeria on Broadway, who says the prices he pays for some paper goods have gone up every month in the last seven months after remaining basically unchanged for years.

Cola pays \$ 22 for a case of napkins - 8,000 pieces - vs. \$ 14.50 last year. As a result, the restaurant is more vigilant. "Maybe you leave a few less napkin dispensers on tables," he said.

Mail-order catalogs have had to adjust, too. Lillian Vernon, based in New Rochelle, is trimming its mailing lists, narrowing some catalogs and using thinner paper in others, said spokesman David Hochberg.

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Sewell expects paper prices to remain high for at least the next 1 1/2 years. But by 1998, the cyclical nature of the industry will have kicked in again, he said, and the situation "will probably go in the other direction."

GRAPHIC: Newsday Photo by Oliver Morris- The paper goods aisle at a Sloan's in Midtown

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